

**STATE OF CALIFORNIA  
ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION**

<b>In the Matter of:</b>	)	<b>Docket No.04-DIST-GEN-1,</b>
	)	<b>03-IEP-1</b>
<b>Exploring Issues Associated with</b>	)	
<b>Implementation And Distribution Planning</b>	)	
<b>of Distributed Generation</b>	)	
	)	
	)	

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**COMMITTEE ORDER REGARDING SCOPE OF PROCEEDING**

On April 21, 2004, the California Energy Commission (Energy Commission) initiated this investigation to explore issues associated with the costs and benefits of distributed generation (DG) deployment, interconnection related issues, and research and development efforts related to the technical, economic and regulatory feasibility of future DG technologies. The results of this investigation are expected to be a series of recommended changes to the rules of the CPUC, investor-owned utilities planning processes, and will be incorporated into the 2005 Integrated Energy Policy Report (IEPR).

This investigation supports a companion Order Instituting Rulemaking (OIR) opened by the CPUC on March 16, 2004 (CPUC Docket R.04-03-017). The CPUC's OIR is addressing cost-benefit analyses for customer and investor-owned utility DG installations; DG as a utility procurement and planning resource; future incentives for customer-side DG; outstanding interconnection and related technical issues; and, DG issues for the future.

To accommodate these proceedings, Energy Commission staff is working collaboratively with CPUC staff through R.04-03-017 on cost benefit analyses, DG as a utility planning and procurement resource and future incentives issues. In addition to this collaborative role, the Energy Commission has been specifically tasked with developing recommendations for changing current interconnection rules to address outstanding issues identified in R.04-03-017.

To accomplish this, the Energy Commission will proceed with this OIR in two phases. Phase 1 will focus on developing specific recommended changes to existing Rule 21 interconnection requirements. This order establishes the scope, process, and schedule for Phase 1. The scope for Phase 2 of this investigation will address other outstanding DG policy issues and will support the Energy Commission's 2005 IEPR proceeding. The

scope for Phase 2 will be determined at a later time and a subsequent scoping order will be issued.

## **PROCEEDING ISSUES FOR PHASE 1**

As explained in the scoping order issued by the CPUC for R.04-03-017 dated August 6, 2004, the Energy Commission will submit formal recommendations to the CPUC regarding interconnection issues in January 2005. Based on a review of the initial comments submitted in R.04-03-017, consideration of the Rule 21 Working Group<sup>1</sup> White Paper included in the initial rulemaking order, and discussions with the Rule 21 Working Group, the Committee has established five areas for consideration, each of which is addressed briefly:

- **Metering Issues**

The Rule 21 White Paper indicates that policy consideration is needed to resolve several issues surrounding metering and telemetry requirements. The Committee would like input on the following questions:

- 1) Should each new customer be financially responsible for the installation, operation, and maintenance of utility-supplied billing-grade metering on all new customer generation units?
- 2) Should the utility require a customer to utilize a utility-supplied meter on its generation units?

- **Dispute Resolution Process**

The dispute resolution process currently used for Rule 21 relies on CPUC best practices for resolving disputes. Is the language contained in Section G of Rule 21 adequate to resolve differences between utilities, customers, or other parties planning and designing DG installations? Are other approaches preferable, i.e., the process adopted in the Massachusetts DG Investigation DTE 02-38-B.

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<sup>1</sup> The Rule 21 Working Group includes members representing all aspects of the DG community, with utility representatives, DG manufacturers, project developers, and regulators represented. Approximately 35 members actively attend meetings which are held approximately once every 4-6 weeks. Another 200 members track developments via an e-mail distribution list. Updated materials related to the Working Group, including meeting minutes, Rule 21 equipment certification information, as well as technical documents are available on the Energy Commission website at [www.energy.ca.gov/distgen](http://www.energy.ca.gov/distgen). The Working Group process is overseen by the Energy Commission, with technical support funded under contract via the Energy Commission's Public Interest Energy Research program.

- **Interconnection Fees/Costs**

When Rule 21 was adopted in late 2000, parties agreed that policymakers would reconsider the interconnection fee structure at a later date. With more than three years of experience with this fee structure, the Committee seeks input from the parties about the need to revisit the interconnection fee schedule previously established.

In a related matter, several parties believe there is significant discrepancy between utilities on the cost of installing capital equipment to allow interconnections of some DG. A level comparison of utility costs to install commonly required distribution equipment such as transformers, reclosers, and the like may be required to understand the variance in labor and equipment costs between utilities.

- **Net Metering for Systems with “Combined” Technologies**

The passage of California Assembly Bill 58 (Statutes of 2002) expanded the net metering program to include larger systems and technologies that are not just photovoltaic and wind. Fuel cells and biomass projects are now eligible for net metering consideration on a pilot basis. Customers who install generation that includes generators eligible for net metering coupled with generators not eligible for net metering create challenges with respect to logging the costs of reviewing the interconnection application, metering requirements, and associated tariffs. The Committee understands that this issue is a growing concern among the utilities and would like further elaboration on the topic.

- **Interconnection Rules for Network Systems**

Simplified interconnection rules for spot and grid secondary network systems do not exist in the context of Rule 21. As such, many DG projects proposed in network system areas such as downtown San Francisco, Sacramento and elsewhere require detailed interconnection studies and often require significant capital equipment investments in order to complete the interconnection. We understand this is due to the complexity of protection schemes for networked systems. The Committee is interested in whether or not other states or utilities are developing, or have developed rules for interconnecting DG to networked systems. What considerations should be given to developing simplified interconnection rules for networked systems in California? What can be learned from these experiences on this issue thus far?

## **Process and Procedural Schedule**

We expect a final recommendation on Phase 1 topics to be issued in January 2005. In developing this recommendation, the Committee will partially rely on the expertise of the Rule 21 Working Group process to guide development of recommendations regarding

Phase 1 of this investigation. As such, we direct the Rule 21 Working Group, coordinated through Energy Commission staff, to submit to the Committee a document with its collective series of proposed recommendations on Phase 1 issues by November 1, 2004. Based upon those recommendations, Energy Commission staff will issue a draft set of recommendations for public comment to give all stakeholders an opportunity to provide input on the proposed recommendations.

The Committee will review these proposed recommendations and public comments, and hold a public hearing in late November or early December for the purpose of developing its own recommendations for Energy Commission consideration. While placing great weight on the proposed recommendations of the Rule 21 Working Group, the Energy Commission will not be bound by the group's conclusions and recommendations. All parties must clearly understand that the working group is designed to provide advice and recommendations. All parties will have opportunity to provide comment directly to the Energy Commission through public comment periods and hearing. All final decisions will be made by the Energy Commission.

The following table details general milestones for Phase 1 activities.

Rule 21 Working Group Meeting To Begin Developing Proposed Recommendations	August 31, 2004
Rule 21 Working Group Meeting	Early September
Rule 21 Working Group Meeting	Late September
Rule 21 Working Group Meeting	Early October
Rule 21 Working Group Meeting	Late October
Rule 21 Working Group Recommendations Provided To Staff	November 1, 2004
Staff Interconnection Recommendations Report Released	November 10, 2004
Public Comment Period On Staff Recommendations	November 10 – 30, 2004
IEPR Committee Hearing	Late November or Early December
IEPR Committee Recommendations Released	December 20, 2004
Public Comment Period On Committee Recommendations	December 20 – 30, 2004
Commission Adoption Of Interconnection Recommendations	January 19, 2005

We strongly encourage stakeholder participation in the Rule 21 Working Group. While information about the Rule 21 Working Group is regularly updated on the Energy Commission's website, we will take steps to inform parties in this proceeding about the various times and locations the Rule 21 Working Group will meet during the course of

this process. We understand that no fewer than four meetings will be scheduled during September and October, with specific dates to be determined at the next Rule Working Group meeting. The next Rule 21 Working Group meeting is scheduled at the following time and location:

August 31, 2004  
Southern California Edison  
7951 Redwood Avenue  
Fontana, California 92335  
9:30 am – 4:00 pm

Using a similar approach from the Energy Commission's previous DG proceeding (Docket 99-DIST-GEN(2)), the Committee reaffirms the following rules for participation in the working group:

- Rules, protocols and processes should be clear and transparent.
- Rules should be technology neutral, except when differences are fully justified.
- A level playing field should be established for all DG providers.
- Rules should be uniform throughout California.
- Utilities should be fairly compensated for distribution services that support DG installations and customers.

DATED: August 17, 2004

\_\_\_\_\_/Original Signed/\_\_\_\_\_  
JOHN L. GEESMAN  
Commissioner and Presiding Member  
Integrated Energy Policy Report  
Committee

\_\_\_\_\_/Original Signed/\_\_\_\_\_  
JAMES D. BOYD  
Commissioner and Associate Member  
Integrated Energy Policy Report  
Committee

Mail List Distribution:  
Energy Commission List Servers – IEPR, Distributed Generation, Research and Development; CPUC Service List for R.04-03-017.